



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**

**Thomas S. Burack, Commissioner**



January 19, 2007

The Honorable Robert L. Theberge, Chair  
Municipal & County Government Committee  
Legislative Office Building, Room 301  
Concord, New Hampshire 03301

**RE: HB 72 Relative to Payment of Municipal Sewage Assessments**

Dear Chairman Theberge:

Thank you for the opportunity to testify on HB 72 relative to payment of municipal sewage assessments. This legislation was sponsored by the Department of Environmental Services (DES) as a result of a recommendation by the NH Department of Administrative Services, Financial and Compliance Audit Program.

The Winnepesaukee River Basin Program (WRBP) is a bureau within the Water Division of the Department of Environmental Services. The WRBP was established legislatively in 1972 under the provisions of (now) RSA 485-A:45 as a regional authority empowered to acquire, plan, construct and operate public sewage disposal facilities for the Winnepesaukee River basin towns, of which 10 currently are served. The intent was to remove wastewater discharges to Lake Winnepesaukee, Winnisquam Lake and other lakes and rivers in the basin and provide interceptors and a single wastewater treatment facility in Franklin to collect and treat the resultant wastewater flows. The WRBP serves portions of Moultonborough, Center Harbor, Meredith, Laconia, Gilford, Sanbornton, Belmont, Tilton, Northfield and Franklin. The cost of operating and administering the WRBP is borne entirely by the member communities. The management of the WRBP is overseen by the Winnepesaukee River Advisory Board which is made up of a member from each community served, per RSA 485-A:52. This Advisory Board meets quarterly and reviews and comments on an annual budget prepared by the Department.

In its DES Audit Report for the fiscal year ending June 30, 2004, as Observation No. 21, the Financial and Compliance Audit Program recommended that Winnepesaukee River Basin Program assessments should be billed in accordance with statute. The Audit Report findings are as follows:

"The Department's billing procedures for charging Capital Cost Recovery and Operating and Maintenance Costs to users of the Winnepesaukee River Basin Program (WRBP) are inconsistent with statute. RSA 485-A:50 authorizes the Department to annually assess each municipality served by the WRBP a sum sufficient to recover its proportional share of the costs. The payment terms are specified in RSA 485-A:50 III, which states that both Capital Cost Recovery and Operating and Maintenance costs should be billed quarterly, yet Capital cost Recovery is billed annually. Additionally, adjustment should be made in the first quarter but are not made until the second quarter of the year, due to the untimely availability of adjustment information.

Recommendation: The Department should bill WRBP assessments in compliance with statute. If the Department determines the statutes are not responsive to the Department's needs, the Department should seek amendment to the statutes to ensure compliance is feasible."

DES and the WRBP concur that the statute should be revised to reflect our current (and historical) billing protocols. The proposed legislation should remedy the deficiencies by 1)

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reflecting that capital cost recovery (amortization charges) are billed annually, and 2) to reflect that adjustments for any underpayment or overpayment of assessments for prior fiscal years will continue to be made in October of each year (the second quarter of the state's fiscal year).

For administrative convenience, billings for capital cost recovery charges have historically been sent to member communities annually during July (the first quarter of the state's fiscal year) to reflect the principal and interest costs for sewer projects and upgrades that benefit member communities. Capital cost recovery charges for FY 2007 reflect the principal and interest costs on the Supervisory Control and Data Acquisition (SCADA) system upgrade (completed in 2001), and the addition of the UV disinfection system (completed in 1997). In addition, the capital cost recovery charges reflect principal and interest charges for sewer projects serving the Bay District (Moultonborough and Center Harbor), Sanbornton and Tilton whose costs have not yet been fully paid. Member communities are provided an updated debt service payment schedule from the current fiscal year (FY 2007) through FY 2021, when all current capital projects will be fully paid.

Adjustments to operation and maintenance costs for any underpayment or overpayment of assessments in prior fiscal years have typically required several months to reconcile following the end of the state fiscal year, making the adjustment in the first quarter of the new fiscal year not possible. This adjustment has traditionally been made for the second billing to member communities in the month of October (the second quarter of the state's fiscal year) which allows member communities sufficient opportunity to budget accordingly.

The Winnepesaukee River Advisory Committee voted at its quarterly meeting on January 9<sup>th</sup> to support this legislation.

Thank you for considering our testimony. If you have any questions, please contact Dick Flanders at 934-4032.

Sincerely,

  
for Thomas S. Burack  
Commissioner

cc: Rep. Franklin Tilton